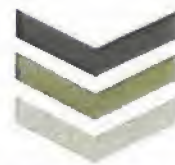




BUDGET 2019-2022



**Kou-kamma
Municipality (EC109)**

Copies of this document can be viewed:

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Table of Contents

Part 1- Annual Budget	2
1.1 Mayor's Report	2
1.2 Council Resolutions.....	4
1.3 Executive Summary	6
1.3.1 Overview of the annual budget process.....	9
1.3.2 Overview of budget related- policies.....	9
1.3.3 Overview of budget assumptions.....	9
1.4 Operating Revenue Framework	12
1.5 Operating Expenditure Framework.....	16
1.6 Capital Expenditure	18
Part 2: Supporting Documentation.....	20
2. Municipal Manager's quality certificate.....	21
 Annexure A: A-Schedule v6.3 (2019/20 – 2021/22)	
Annexure B: Tariff book 2019/20	
Annexure C: Budget related policies	
Annexure D: Service level standard	
Annexure E: List of budgeted positions	

Part 1- Annual Budget

1.1 Mayor's Report

The 2019 Medium Term Budget Policy Statement highlights the difficult economic and fiscal choices confronting government over the next several years.

The biggest challenge facing the country as well as Kou-kamma municipality at the moment is the high rate of unemployment. In order to try and address this, the President announced the following interventions:

- *Implementing growth-enhancing economic reforms*
- *Reprioritising public spending to support economic growth and job creation*
- *Establishing an infrastructure fund*
- *Addressing urgent matters in education and health*
- *Investing in municipal social infrastructure improvement.*

The country as a whole has experienced a technical recession. Although the long term growth seems positive there are some tough decisions that government needs to make. South Africa finds itself at a crossroads. This Medium Term Budget Policy Statement (MTBPS) highlights the difficult economic and fiscal choices confronting government over the next several years. GDP growth is now expected to average 0.7 per cent in 2018, rising gradually to 2.3 per cent by 2021. At 27 per cent, the unemployment rate remains alarmingly high. The consolidated budget deficit narrows from 4.2 per cent in 2019/20 to 4 per cent in 2021/22. Gross debt is expected to stabilise at 59.6 per cent of GDP in 2023/24.

In order to achieve these objectives and address current economic pressures being faced by the municipality and government as a whole, require us to forge a new compact between the social partners. Raising the level of investment and improving the ease of doing business in the country will support job creation. Private sector investment and job creation are critical to reducing unemployment.

We as management within local government have a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Kou-kamma Municipality. Budgeting is primarily about

the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with available resources .We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms. The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitable to all communities. The 2019/20 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The 2019/20 MTREF has been prepared using realistically anticipated estimates and are guided by guidelines as per the National Treasury Budget Circulars. The main aim of the budget remains **SERVICE DELIVERY**. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the budget 2019/20 budget is as follows:

- Total operating income- R178 581 556.93
- Capital Budget- R29 468 200.00
- Total operating expenditure – R176 570 879.93

The capital budget would be financed mainly from capital grants received from other spheres of government. The operating budget is extremely constrained and focuses on service delivery. The reason for this is the limiting income realistically anticipated.

Let us continue to work together to build a better community of Kou-kamma thus achieving a better life for all.

**THE MAYOR/SPEAKER
COUNCILLOR S VUSO**

1.2 Council Resolutions

On the 28th May 2019 the Council of Kou-kamma Local Municipality will meet in Kareedouw, to consider the approval of the Annual budget of the municipality for the financial year 2019/20 MTREF. It is recommended that Council approves and adopts the following resolutions:

1. The Council of Kou-kamma Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003) approves:
 - 1.1. The Annual Budget of the municipality for the financial year 2019/20 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance(revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/ accumulated surplus, asset management and basic service delivery targets are approved as set out in the following table:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Kou-kamma Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act, (Act 32 of 2000) approves:
 - 2.1. The property rates tariffs- as set out in Annexure B,
 - 2.2. The tariffs for electricity- as set out in Annexure B
 - 2.3. The tariffs for Sanitation-as set out in Annexure B
 - 2.4. The tariffs for refuse- as set out in Annexure B and
 - 2.5. Any other municipal tariffs as set out in the Tariff book

3. That Council approves the following budget related policies in terms of Section 24 (2)(c)(i)(ii)(iii)(v) of the Municipal Finance Management Act (Act 56 of 2003) as per Annexure C to the document:
 - Supply chain management
 - Credit Control and Debt Collection
 - Indigent Support
 - Property Rates
 - Write off
 - Tariff
 - Virement
 - Fruitless, wasteful, unauthorised and irregular expenditure
 - Asset Policy
4. For Council to adopt the Service Level Standards as required by the National Treasury in MFMA Circular 89 and 91, as per annexure D of the document

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Section 21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with the co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting Officer, as per Section 68 of the MFMA, is required to assist the Mayor in developing and implementing the budgetary process.

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. The budget was drafted in conjunction with the IDP.

Furthermore, the National Treasury has regulated a Municipal Standard Chart of Accounts, which was effective from 01 July 2017. This requires all municipalities and municipal entities to transact live on the new chart of accounts. It is therefore a requirement that the budget be Mscoa complaint.

The annual budget was prepared in accordance to the National Treasury's content and format as contained in Circular 93 & 94. The two concepts considered were:

- 1) That the budget must be funded according to Section 18 of the MFMA(as mentioned above), and
- 2) That the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the draft IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality.
- Is achievable in terms of agreed service delivery and performance targets.
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions.
- Does not jeopardise the financial viability of the municipality(ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds are transferred from low-to high- priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have items'.

The Municipality has embarked on implementing a range of revenue collection strategies to optimise the collection of debt owed by consumers. The Municipality has also adopted a conservative approach when projecting its expected revenue and cash receipts.

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy
- Aging and poorly maintained roads and electricity and water infrastructure.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality'
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents,
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Low collection rates
- Poor communities and
- Cash flow challenges

The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:

- The 2018/19 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget adopted as upper limits for new baselines for the 2019/20 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to National and Provincial funded projects unless the necessary grants to the municipality are reflected in the National and Provincial budget and have been gazetted as required by the annual Division of Revenue Act (DoRA) or MTBPS.

Table 1 Consolidated Overview of the 2019/20 MTREF

DESCRIPTION	2018/19 ADJUSTMENTS BUDGET	2019/20	Budget year +1 2020/21	Budget year +2 2021/22
Operational Income	-175 290 611.00	-178 581 556.93	-185 594 624.53	-187 882 342.92
Operational Expenditure	180 128 586.03	176 570 879.93	184 031 053.53	189 138 317.92
Capital Expenditure	39 238 887.00	29 468 200.00	30 422 800.00	29 080 650.00
(SURPLUS) / DEFICIT	R 44 076 862.03	R 27 457 523.00	R 28 859 229.00	R 30 336 625.00
Depreciation	24 797 996.00	27 457 523.00	28 859 229.00	30 336 625.00
NET (SURPLUS) / DEFICIT	R 19 278 866.03	-R 0.00	-R 0.00	R -

Total operating revenue has increased by 2.0 per cent or R3 283 million for the 2019/20 financial year compared to the 2018/19 Adjustments Budget. This is mainly due to the decrease in transfers and subsidies. For the two outer years, operational revenue for rates and services will increase by 4.0 and 1.0 per cent respectively.

Total operating expenditure for the 2019/20 financial year has decreased by R3 565 million or 2.0 per cent, when compared to the 2018/19 Adjustments Budget. This is mainly due to belt tightening measures being implemented by the municipality to ensure non-service related operational expenditure is kept to a minimum. For the two outer years, operational expenditure will increase by 4.0 and 3.0 per cent respectively.

1.3.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations (MBRR) states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

1.3.2 Overview of budget related- policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following budget policies will be tabled for consideration with the draft budget:

- Supply chain management
- Credit Control and Debt Collection
- Indigent Support
- Rates
- Write off
- Tariff
- Virement
- Fruitless, wasteful, unauthorised and irregular expenditure
- Asset Policy

1.3.3 Overview of budget assumptions

1.3.3.1 External factors

Due to the slowdown of the economy, compounded by the geographical area of the municipality; financial resources are limited as a result of slow/no economic growth, this therefore reduces payment levels by consumers. The high levels of unemployment, resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.3.3.2 General Inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2019/20 MTERF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses.
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.3.3.3 Collection rate for revenue services

The current collection rate of the municipality is below 60%, this necessitates aggressive revenue enhancement strategies. Therefore base assumption is that tariff and rating increases will increase at the same rate as CPI.

As part of the revenue enhancement strategies that was implemented and approved by the municipal council to address the low collection rate. Based on the above, the municipality is anticipating a collection rate of 60% for the 2019/20 financial year.

1.3.3.4 Salary increases

In accordance with the guidance in the MFMA circular 93 and 94, the Wage collective agreement has been concluded during the 2018/19 financial year, based on this the municipality has budgeted for salary increases as follows:

- Employees: 6.5% - plus 2.5% notch increase
- Councillors: CPI – 6.5%
- Directors: CPI – 6.5%

1.3.3.5 Impact of national, provincial and local policies

In compilation of the budget for 2019/20, cognisance was taken of Provincial and National strategies.

1.3.3.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 80.0 per cent is achieved on Operating expenditure and 65.0 per cent on the Capital Programme for the 2018/19 of which performance has been factored into the cash flow budget. This basis has thus been used as a benchmark for the 2019/20 annual budget.

1.3.3.7 Cost containment

Due to cash flow constraints within the municipality, operational costs are kept at a minimum. The following cost containment measures have been implemented and the effects of these have been realised throughout the 2018/19 financial year:

- Officials do not make use of air transport and workshops, trainings and other events are not attended, unless special permission is granted by the Municipal Manager.
- All Travel and subsistence claims, must be accompanied by a pre-approval (trip authority) as well as a memo directed to the CFO as to why an official attended a specific event.
- A maximum of two officials per departments is allowed to attend meeting/trainings/workshops.
- Accommodation is limited to R1000 per person per night including meals.
- Telephone usage has set limits per employees and no colour printing is made use of.
- No catering is bought for internal meetings
- All meetings and strategic sessions are held at municipal owned venues
- Stationary are being signed for
- No bottled water/refreshments are bought for the MM or mayor's office
- Restrictions are placed on the purchases of laptops.
- Restriction on the use of consultants unless critical.
- Overtime is limited to 40 hours and only approved if a pre-approved plan is presented.
- Overtime is limited to essential use staff

1.4 Operating Revenue Framework

For Kou-kamma to continue improving the quality of services provided to its community it needs to generate the required revenue. The municipality is currently faced with a collection rate of <60%, in these tough economic times strong revenue management is fundamental. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/ calculating the revenue requirement of each service;
- The municipality's Property Rates Act, 2004 (Act No. 6 of 2004) (MPRA) and amendment of 2014.
- Increase ability to extend new services and recover costs.
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff Policies of the Municipality.

Table 2 Summary of revenue classified by main revenue source

EC109 Kou-Kamma - Table A4 Budgeted Financial Performance (revenue and expenditure)

2015/16 Revenue - Table A: Budgeted and Actual Income (Revenue and Expenditure)											
Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	15 596	16 256	15 727	14 600	15 851	15 851	–	18 948	20 085	21 290
Service charges - electricity revenue	2	2 205	2 033	1 814	437	2 138	2 138	–	1 938	2 054	2 177
Service charges - water revenue	2	11 619	11 765	12 216	10 754	15 257	15 257	–	16 073	17 038	18 060
Service charges - sanitation revenue	2	8 041	8 580	8 700	4 347	5 847	5 847	–	6 021	6 382	6 765
Service charges - refuse revenue	2	3 905	4 092	2 481	3 120	3 870	3 870	–	3 236	3 430	3 636
Rental of facilities and equipment		408	380	334	402	1 000	1 000		882	935	991
Interest earned - external investments		206	73	214	157	357	357		317	336	357
Interest earned - outstanding debtors		7 156	9 188	11 359	11 603	13 603	13 603		14 317	15 176	16 087
Dividends received						–	–				
Fines, penalties and forfeits		1 580	5 123	9 846	5 000	13 000	13 000		15 025	15 025	15 025
Licences and permits		30	18	–		–	–				
Agency services		2 841	5 783	5 145	2 889	2 889	2 889		1 995	2 114	2 241
Transfers and subsidies		44 192	48 540	55 128	52 928	52 586	52 586		60 059	58 658	62 483
Other revenue	2	2 444	3 667	934	10 555	10 721	10 721	–	13 595	13 938	9 680
Gains on disposal of PPE		–	334								
Total Revenue (excluding capital transfers and contributions)		100 223	115 833	123 899	116 791	137 118	137 118	–	152 405	155 172	158 802
Surplus/(Deficit)		(27 667)	(6 763)	(8 026)	(35 455)	(43 010)	(43 010)	–	(24 166)	(28 859)	(30 337)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		22 201	15 951	23 975	14 412	38 173	38 173		26 176	30 423	29 081
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(5 466)	9 188	15 950	(21 043)	(4 838)	(4 838)	–	2 011	1 564	(1 256)

As the municipality is largely grant dependant, most revenue is from the National government, comprising of 48.3 per cent. All income from these grants has been gazetted as part of the Division of revenue act. Secondly revenue generated from rates and services charges also forms a significant percentage of the revenue basket. In the 2019/20 financial year, revenue from services charges is estimated to total R27 267 million and property rates at R18 948 million.

The other item contributing to revenue is "other income" which consists of various items such as income received from permits and licences, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Table 3 Operating and Capital Grants Receipts

Grants	2019/20	2020/21	2021/22
Capital			
Direct			
MIG	15 396 000.00	16 024 000.00	16 927 000.00
INEP	1 550 000.00	3 200 000.00	3 000 000.00
WSIG	10 000 000.00	12 000 000.00	10 000 000.00
Indirect			
RBIG	-	5 000 000.00	30 000 000.00
INEP	543 000.00	2 083 000.00	2 198 000.00
National Treasury (Audit fees)	30 000.00	-	-
	27 519 000.00	38 307 000.00	62 125 000.00
Operational			
Equitable share	49 376 000.00	52 799 000.00	56 579 000.00
FMG	2 435 000.00	2 867 000.00	2 867 000.00
DSRAC	1 300 000.00	1 300 000.00	1 300 000.00
Environmental health	891 000.00	891 000.00	891 000.00
EPWP	1 087 000.00	-	-
Sarah Baartman	1 500 000.00	-	-
DEDEA	2 670 000.00	-	-
	59 259 000.00	57 857 000.00	61 637 000.00
Total	86 778 000.00	96 164 000.00	123 762 000.00

As indicated in the table above, is a breakdown of both capital and operational grants to be received in the 2019/20 MTREF.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the ratio for the non-residential categories, Public Service Infrastructure and agricultural properties relative to residential properties. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

In terms of the Municipal Property Rates Act, property valuations need to be assessed every four years for inclusion in the General Valuation Roll. The municipality has an updated valuation roll; and is in the process of completing the supplementary valuation roll.

Table 4 Comparison of proposed rates to be levied for the 2019/20 financial year
Tariffs are attached as a separate appendix to the report.

1.4.2 Sale of Electricity and Impact of Tariff Increases

During the 2015/16 budget process, the decision was taken concluded that the step- tariff structure will need to be implemented; an application in this regard was made to NERSA. The decision was kept constant. Registered indigents will again be granted 50 kWh per 30 day period free of charge. The Sarah Baartman District municipality has started with a project to get municipalities' cost effective tariffs, based on this assessment and coupled with the approved Eskom increase of 13.8% by NERSA, the municipality has increased electricity tariffs by 13.3% for the 2019/20 financial year.

The following tables show the proposed changes to the current tariff structure:

Table 4: Tariff structure (Electricity)

	Excl VAT	VAT	Incl VAT	
Block 1 (0 - 50Kwh)	1.03	0.15	1.19	cent p'kwh
Block 2 (51 - 350Kwh)	1.33	0.20	1.53	cent p'kwh
Block 3 (351 - 600Kwh)	1.95	0.29	2.24	cent p'kwh
Block 4 (>600Kwh)	2.21	0.33	2.54	cent p'kwh

With the above increases the aim is to both increase revenue and encourage consumers to use electricity wisely as our country's national grid is under severe pressure. No basic charge will be levied for electricity. These tariffs are in line with the guidelines as prescribed by NERSA, an application for approval has been submitted to the regulator.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- Balanced budget constrain (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the assets renewal and backlogs eradication.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

Table 5 Summary of operating expenditure by standard classification item

EC109 Kou-Kamma - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type											
Employee related costs	2	39 820	41 817	42 883	54 445	51 450	51 450	-	59 650	63 575	63 577
Remuneration of councillors		3 000	3 123	3 433	3 477	3 738	3 738		3 945	4 201	4 474
Debt impairment	3	19 741	19 605	31 895	22 755	54 474	54 474		37 349	39 083	40 920
Depreciation & asset impairment	2	22 383	17 493	18 505	24 798	24 798	24 798	-	27 458	28 859	30 337
Finance charges		995	1 961	1 071	1 130	1 130	1 130		1 250	1 250	1 250
Bulk purchases	2	3 199	3 513	3 362	5 015	5 015	5 015	-	4 762	5 047	5 350
Other materials	8		1 026	1 812	4 985	5 175	5 175		7 139	7 058	7 301
Contracted services		3 839	2 714	4 794	13 541	13 306	13 306	-	11 202	10 491	10 761
Transfers and subsidies		15 846	16 702	8 098	-	-	-	-	-	-	-
Other expenditure	4, 5	18 740	14 641	16 047	22 101	21 042	21 042	-	23 817	24 467	25 169
Loss on disposal of PPE		325		23							
Total Expenditure		127 890	122 597	131 925	152 246	180 129	180 129	-	176 571	184 031	189 138

The budgeted allocation for employee related costs for the 2019/20 financial year totals R63 844 million, which equals 36.0 per cent of the total operating expenditure. Circular 70 guidelines have been implemented with regards to the percentage of employee costs to operational expenditure is between 30-40%, the municipality is thus within these limits. Furthermore as per the wage negotiations agreed upon, salaries has been budgeted in accordance with this.

The cost associated with the Remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). Amounts paid to councillors are in line with these gazetted amounts.

The provision of debt impairment was determined based on an annual collection rate of 60.0%. The revised collection rate is based on the revenue enhancement plan that was adopted by council. While the expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Provision for depreciation and asset impairment has been informed by the Municipality's Asset Values and prior year expenditures incurred. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R27 458 million for the 2019/20 financial year and equate to 15.6 per cent of the total operational expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increase of 13.8 per cent has been factored into the budget appropriations and directly informs the revenue provisions. The expenditures include distribution losses. Other materials comprise of amongst others the purchase of materials for maintenance. In line with the Municipality's repairs and maintenance the expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

The following are the main expenditure categories for 2019/20 financial year:

- Employee related costs
- Remuneration of Councillors
- Debt impairment
- Depreciation and Asset Impairment
- Bulk Purchases

1.5.1 Free Basic Services: Basic Welfare Package

The welfare package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services that households are required to register in terms of the Municipality's Indigent Policy. An amount of R18 255 million has been allocated from the 2019/20 equitable share to provide relief to the indigent consumers. Taking cognizance of the plight of the poor and affordability of basic services, 6kl of free water and 50kwh of electricity per month, refuse, sanitation; grave site as well as rebates on rates is applicable.

1.6 Capital Expenditure

Capital expenditure for the next three years will be funded solely by Grants and other external fund sources. This is due to significant constraints of Council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had on the cash flow of the municipality. The Capital Grants to be received are highlighted in the Executive Summary above.

Table 6 Capital expenditure by standard classification

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital Expenditure - Functional											
<i>Governance and administration</i>		1 089	44	-	1 684	353	353	-	742	-	-
Executive and council		-	-	-	250	-	-	-	151	-	-
Finance and administration		1 089	44	-	1 434	353	353	-	591	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		6 297	3 764	429	8 399	3 054	3 054	-	12 998	-	-
Community and social services		5 911	3 764	427	8 399	3 054	3 054	-	12 098	-	-
Sport and recreation		386	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	900	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	2	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		262	2 033	5 329	7 057	5 704	5 704	-	100	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		262	2 033	5 329	7 057	5 704	5 704	-	100	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		9 893	9 950	10 583	2 567	30 128	30 128	-	15 628	30 423	29 081
Energy sources		1 891	616	2 213	-	-	-	-	1 550	3 200	3 000
Water management		5 310	6 014	8 369	717	24 371	24 371	-	5 558	8 094	21 081
Waste water management		2 692	3 320	-	-	5 757	5 757	-	8 020	19 129	5 000
Waste management		-	-	-	1 850	-	-	-	500	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	17 541	15 791	16 341	19 707	39 239	39 239	-	29 468	30 423	29 081
Funded by:											
National Government		16 926	13 740	16 064	14 412	38 173	38 173	-	26 176	30 423	29 081
Provincial Government		386	2 033	275	133	433	433	-	420	-	-
District Municipality		-	-	2	-	-	-	-	900	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	17 312	15 772	16 341	14 545	38 606	38 606	-	27 496	30 423	29 081
Borrowing	6										
Internally generated funds		230	19	-	5 162	633	633	-	1 972	-	-
Total Capital Funding	7	17 541	15 791	16 341	19 707	39 239	39 239	-	29 468	30 423	29 081

Table A5 as per the MBBR excludes all indirect capital expenditures that will be incurred during the 2019/20 financial year.

The table below highlights total service delivery project planned for the next financial year

Table 7 Capital expenditure by project

DEPARTMENT	FUNCTION	ITEM DESCRIPTION	REGION	ORIGINAL BUDGET	FUNDING SOURCE
Corporate Services	Administration	Renovation of new council chambers	Main Building	R 500 000.00	Internal Funds
	Administration	Furniture for ward councilors	All wards	R 50 000.00	Internal Funds
	Administration	Office furniture	Main Building	R 21 000.00	Internal Funds
	ICT	Laptops & Desktops	All offices	R 70 000.00	Internal Funds
MMO	MMO	Office furniture	Main Building	R 101 000.00	Internal Funds
Technical and Community Services	Roads	Tools an Equipment	All wards	R 100 000.00	Internal Funds
	Community Halls	Upgrading of community hall	Woodlands	R 300 000.00	Internal Funds
	Community Halls	Furniture (Tables & Chairs)	All wards	R 250 000.00	Internal Funds
	Cemetries	Paving and construction of ablution facilities	Stormsriver	R 80 000.00	Internal Funds
	Waste Management	Fencing of landfill sites	Woodlands	R 400 000.00	Internal Funds
	Waste Management	Tools an Equipment	All wards	R 100 000.00	Internal Funds
	Libraries	Upgrading of library	Krakeel	R 120 000.00	DSRAC
	Libraries	Extention of paving	Stormsriver	R 150 000.00	DSRAC
	Protection Services	Replacement of fire truck	All wards	R 600 000.00	SBDM
	Water Management	Refurbishment of Water Treatment Works	Kareedouw	R 5 557 950.00	WSIG
	Waste Water Management	Refurbishment of Waste Water Treatment Works	Coldstream	R 3 116 100.00	WSIG
	Waste Water Management	Refurbishment of Waste Water Treatment Works	Misgund	R 1 325 950.00	WSIG
	Electricity	New electrical connections	Ravinia	R 1 550 000.00	DOE
	Community Halls	Constrcution of new Multi Purpose Centre	Louterwater	R 11 048 422.50	MIG
	Waste Water Management	Replacement of full bore sewer system	Clarkson	R 3 577 777.50	MIG
	Libraries	Furniture for libraries	All wards	R 150 000.00	DSRAC
	Protection Services	Trailers_Fire services	All wards	R 300 000.00	SBDM
				R 29 468 200.00	

In addition to the above the following in-kind transfers has been allocated to the municipality. Projects relating to these allocation still needs to be confirmed:

- INEP: R543 000

Part 2: Supporting Documentation

Table 12 MBRR Table A7- Budgeted Cash Flow Statement

EC109 Kou-Kamma - Table A7 Budgeted Cash Flows

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		16 037	10 656	14 942	10 220	7 926	7 926		11 369	12 051	12 774
Service charges		9 970	6 235	3 107	13 061	13 556	13 556		16 361	17 342	18 383
Other revenue		5 724	9 848	6 413	16 845	16 845	16 845		21 471	21 987	17 922
Government - operating	1	42 103	44 436	47 809	52 928	52 586	52 586		60 059	58 658	62 483
Government - capital	1	21 450	17 947	23 362	14 412	38 173	38 173		26 176	30 423	29 081
Interest		206	73	214	5 958	5 958	5 958		7 476	7 924	8 400
Dividends					-	-	-		-	-	-
Payments											
Suppliers and employees		(62 276)	(57 617)	(72 222)	(103 564)	(99 726)	(99 726)		(109 603)	(114 326)	(116 119)
Finance charges		(995)	(194)	(992)	(1 130)	(1 130)	(1 130)		(1 250)	(1 250)	(1 250)
Transfers and Grants	1	(15 846)	(16 702)	(8 098)	-	-	-		-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		16 371	14 681	14 534	8 730	34 188	34 188	-	32 059	32 810	31 674
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		106							-	-	-
Decrease (Increase) in non-current debtors					377	377	377		-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(17 541)	(15 805)	(13 763)	(19 707)	(39 239)	(39 239)		(29 468)	(30 423)	(29 081)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(17 435)	(15 805)	(13 763)	(19 330)	(38 862)	(38 862)	-	(29 468)	(30 423)	(29 081)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		1 900	836						-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		1 900	836	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		836	(288)	771	(10 600)	(4 675)	(4 675)	-	2 591	2 387	2 593
Cash/cash equivalents at the year begin:	2	165	1 002	714	10 600	4 675	4 675		-	2 591	4 978
Cash/cash equivalents at the year end:	2	1 002	714	1 485	(0)	-	-	-	2 591	4 978	7 571

Explanatory notes to Table A7- Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows be expected level of cash inflow versus cash out-flow that is likely to result from the implementation of the budget.

2. Municipal Manager's quality certificate

I, **Pumelelo Kate**, Municipal Manager of Kou-kamma Local Municipality, hereby certify that the 2019/20 Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations, and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name: PUMELELO KATE

Signature 

Date: 28 MAY 2019